

So how do you create your budget or spending plan? Simply follow these steps.

1. First, decide the time frame for tracking your income and expenses. Will it be weekly or monthly?
2. List all the money you have coming in. It's helpful to break it down into categories – such as work, allowance, and “other” for gifts of money, or money you make from selling your stuff. Then total all your income.
3. You need to make categories for each of your expenses. Don't forget to include putting money in your savings account to meet a long-term financial goal. If you divide your expense categories into fixed and variable, it'll be easier to see which ones you can adjust, if necessary. Remember, you should have a category for everything you regularly spend money on. Then total your expenses.
4. Subtract your total expenses from your total income. If the number is negative, you need to go back and adjust some of your variable expenses until the number is a zero. If it's a positive number, you may want to think about adding some to your savings account line so you can reach your goals a little faster!
5. Step back and look at your budget. Do you need to tweak it to bring your spending plan more in line with your financial goals?

### **Staying on Track**

A variety of methods are available for making sure you stay on track with your budget. Talk to your parents or other adults about strategies they have found to help them stick to a budget.

#### **The Envelope System**

The simplest way to stay on track with your budget is to label envelopes with each of your expense categories. When you get money, distribute it among the envelopes based on the expense amounts in your budget. When you spend money, simply withdraw cash from the appropriate envelope. When the envelope is empty, you're either done spending in that category, or you have to move money from another envelope into the appropriate one. If you also note on the envelope each time you add or remove money, as well as the date, amount, and reason, it will be easy to see where you underspent or overspent and, more important, why.

**The Tally System**

In this method, you keep a tally of your spending categories and save your receipts. Then at the end of the day or week, you enter the amounts on the receipts below the amount budgeted for each category.

**Track With Your Checking Account Register**

You can also use a checking account register to track all your income and expenses as you write checks and withdraw money. As you spend cash, make a note of what and how much you spent in the payment/debit column so you can track every dollar you spend.

**The Budget Spreadsheet**

If you're handy with computer spreadsheet software, you can also create a worksheet with all your budget information. Each time you receive or spend money, enter the amount in the appropriate cell for that category and update the totals.

**Personal Finance Software**

If you're ready to get more advanced, software programs can help you monitor your budget. They also can help you track money in various accounts, as well as provide summaries of your loan and credit card balances.

Information taken from NEFE High School Financial Planning Program